



Date: January 26, 2006

In reply refer to:

Subject: Status of the National Finance Center

To: Customers of the National Finance Center

As valued payroll and human resources customers of the National Finance Center (NFC), we want to provide you with another update on NFC operations, including the ongoing resumption of operations in New Orleans, Louisiana, in the wake of Hurricane Katrina.

However, before we proceed, we want to sincerely thank all our Federal colleagues and friends again for all you have done for us over the past year. We are very much appreciative of the kind outpouring of support and assistance that has been and continues to be provided to our employees, many of whom lost their homes and have been operating out of remote alternate worksites for some 4-plus months. We thank you for the patience you demonstrated as we employed our business continuity plan as a result of Hurricane Katrina and now as we reconstitute the operations of NFC back in New Orleans.

Prior to Hurricane Katrina actually making landfall near New Orleans, we had our advance recovery teams on their way to our primary alternate worksites. Several days after the impact of the storm was understood, we expanded the number of alternate worksites from the two primary sites to seven in all. At the end of October, we reopened our primary location on the Michoud Assembly Facility in eastern New Orleans and began our transition back.

As of today, more than 700 staff members are operating back in New Orleans. We are returning an additional 225 from 4 of the still active alternate sites over the next 4 weeks. We will continue to operate the data center facility from our alternate site in Philadelphia until such time as we transition to a new primary data center facility outside the New Orleans area. This risk mitigation action will keep a number of our data center operations staff at the remote location into March when we will transition to remote management of the computers in Philadelphia from New Orleans.

We have approximately 450 employees who experienced significant damage to their residences. Through the cooperation of the Federal Emergency Management Agency and the State of Louisiana, we have 201 trailers for our employees in a court just outside Slidell, Louisiana. Another 172 employees are using other transitional housing support. Efforts continue with the remaining folks to find an alternative that will address their circumstances.

While all NFC services have been restored, NFC operations are still being affected by infrastructure issues still facing the Greater New Orleans Area. Incoming and outgoing mail services have been a challenge. Since mid-September, we have been engaged in discussions with the United States Postal Service and other mail providers to improve service. We are pleased to report that the mail situation is much improved; however, it is still not back to

pre-Katrina reliability. (The average delivery time is about 5 days with one or two pieces per hundred seemingly becoming lost for up to 30 days or more.) We encourage you to use expedited mail service when time is of the essence.

Sporadic telecommunication issues also continue to occur, the result of alternate routing of data communications lines around flooded areas. As fortune would have it, these new, alternate lines have themselves been interrupted by a train wreck, a cable slicing, and several power issues that have impacted service. We are working with providers to identify additional alternate routing options to further reduce the risk to service continuity.

Bulk printing and mailing is now being accomplished in New Orleans, to include Earnings and Leave Statements (E&L Statements); however, the timing may still be slightly degraded from the pre-Katrina schedules for several more months due to the aforementioned mail issues. We encourage the use of the Employee Personal Page (EPP), which has been up and timely with pay and other employee information throughout. Using the EPP, you and your employees have 24-hour access from home or office to E&L Statements, Wage and Tax Statements (Form W-2), and related information, and can make real-time changes to benefits and deductions.

Printing and mailing of the annual employee W-2 is underway from New Orleans. However, the EPP is currently updated with the 2005 wage and tax information.

Our Web page, www.nfc.usda.gov, continues to serve as the primary media to provide you and your staffs with updated status of items of interest and notification of operational issues, such as mail delivery. We also have the most up-to-date contact information for our various business units posted on the site. This is especially important as we continue to transition various staff and work units from alternate sites back to New Orleans.

We encourage you to continue to use your designated service representative (also listed on our Web site) to inquire about specific status items or alert us of issues you may be experiencing.

I again thank you for your continued patience and support. We strive to be your provider of choice. Our staff takes servicing your needs very seriously. We understand that the easy part of Katrina is behind us and many challenging days lie ahead. As you have kept us foremost in your thoughts these last several months, we will keep you foremost in ours in the months ahead.

Sincerely,

A handwritten signature in black ink, appearing to read "Cyrus G. Lohfink", written in a cursive style.

CYRUS G. LOHFINK
Director